

## How to Set Up A Nonprofit

A nonprofit corporation is a corporation that is formed pursuant to a different state law than a standard for-profit corporation. The corporation must be formed for some religious, charitable, educational, literary or scientific purpose. While a standard business corporation is designed to benefit and generate a profit for its shareholders, nonprofits do not have the profit motive. Nonprofit corporations are allowed to apply for tax-exempt status at both the federal and state level.

There are three major requirements for forming a nonprofit corporation: securing your corporate name, filing the necessary documentation and paying the necessary filing fees. You can complete these steps yourself, use an incorporation service provider or have an attorney complete them for you.

### **First Steps in Forming a Nonprofit Corporation**

You need to ensure that the name of your nonprofit is available in the state in which you would like to form. The name of your nonprofit must not be deceptively similar to a name that is already in use in that state. A name check must be performed in the state of formation.

You must also file nonprofit articles of incorporation with the proper state agency and pay the necessary state filing fees. It is important that your documentation contain the required clauses, to ensure your articles of incorporation will qualify for tax-exempt status. Each state charges a filing fee to form nonprofits in that state. The state filing fees vary greatly by state. They range from less than \$100 to around \$250.

### **Do it Yourself, Use an Incorporation Service Provider or Use an Attorney**

If you decide to form your own nonprofit corporation, you need to be well versed in the laws of the state of incorporation. You will need to prepare and file your own documentation and undertake all communications with the necessary state agencies.

Incorporation service companies specialize in forming corporations, limited liability companies and nonprofits, often in any of the 50 states. If you use an incorporation service company, you submit the necessary information and the company checks your name, prepares and files your documents and pays the initial state filing fees on your behalf. Incorporation service companies charge a nominal service fee on top of the state filing fees, and you can typically submit all the necessary information to them over the Internet or via phone.

Attorneys will also undertake all of the necessary steps for you. If you use an attorney to form your nonprofit, you can expect to pay their hourly fee on top of the state filing fees.

### **Next Steps**

After the nonprofit articles of incorporation are filed, tax-exempt status must be applied for at both the federal and state levels. To apply at the federal level, a timely filing of form 1023 must be made with the IRS. The 1023 application is filed in a timely manner if it is postmarked within 15 months after the end of the month when your articles were filed. If you file on time, the tax-exemption is effective retroactively to the date on which your articles of incorporation were filed. To determine what form needs to be filed at the state level, contact the department that deals with taxation in your state.

Additionally, the nonprofit corporation must comply with corporate formalities and hold annual meetings of directors and members. Bylaws must also be adopted for the corporation.